

WASHINGTON HEADQUARTERS SERVICES

DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE AND HOW THE EVALUATION WAS CONDUCTED

(TAB A)

The system of internal accounting and administrative control of the Washington Headquarters Services (WHS), in effect during the fiscal year ending September 30, 2002, was evaluated in accordance with the guidance provided by Office of Management and Budget (OMB) Circular No. A-123 (Revised), "Management Accountability and Control," dated June 21, 1995, as implemented by DoD Directive 5010.38, "Management Control Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control Program Procedures," dated August 28, 1996. The OMB Guidelines were issued in consultation with the Comptroller General of the United States, as required by the "Federal Managers' Financial Integrity Act of 1982." Included is an evaluation of whether the system of internal accounting and administrative control of WHS is in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of the WHS are to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable laws;
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

The evaluation of management controls extends to every responsibility and activity undertaken by WHS and is applicable to financial, administrative, and operational controls. Furthermore, the concept of reasonable assurance recognizes that (1) the cost of management controls should not exceed the benefits expected to be derived and (2) the benefits include reducing the risk associated with failing to achieve the stated objectives. Moreover, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projection of any system evaluation to future periods is subject to risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate. Therefore, this statement of reasonable assurance is provided within the limits of the preceding description.

The evaluation was performed in accordance with the guidelines identified above. The results indicate that the system of internal accounting and administrative control of WHS, in effect during the fiscal year that ended September 30, 2002, taken as a whole, complies with the requirement to provide reasonable assurance that the above mentioned objectives were achieved. This position on reasonable assurance is within the limits described in the preceding paragraph.

DETERMINATION OF REASONABLE ASSURANCE

The determination of “Reasonable Assurance” by the Director, Washington Headquarters Services (WHS), is based on the following:

- The MC Program is fully institutionalized within WHS.
- There is a clear assignment of responsibilities, functions, and delegations of authority throughout the organization.
- There is professionalism, expertise, and stability in the managers who report to the Director, WHS.
- There is vigorous management oversight of the managers who report to the Director, WHS.

The foregoing, as well as the accomplishments listed below, substantiates the conclusion that the MCs in place in WHS are appropriate and effective. The following items provide information on what was considered in evaluating the MC system and provides further support for the conclusion of “Reasonable Assurance.”

The WHS is a unique organization, with varying levels of risk, and varying degrees of external management controls.

WASHINGTON HEADQUARTERS SERVICES ORGANIZATION STRUCTURE

WHS is composed of nine organizations ranging in strength levels from three to more than 950. The WHS miscellaneous activities, not under the authority, direction, and control of the Director, WHS, are excluded from the WHS MC Program. The largest organization, Real Estate and Facilities (RE&F), conducts operations with a high degree of potential risk, and relatively few external controls. The medium-sized Budget and Finance (B&F) Directorate has high inherent risks, but also has long established and tested management controls and significant external controls. The seven remaining Directorates have lower degrees of risk. The Communications and Directives (C&D), Personnel and Security (P&S), Information Operations and Reports (DIOR), Directorates Defense Freedom of Information/Security Review Office (DFOISR) some degree of risk, but have significant internal controls and external assessment. The Defense Privacy

Office (DPO), WHS Office of the General Counsel (GC), and the Federal Voting Assistance Program (FVAP) Office are small, single-mission offices with relatively low management control risk.

1. Progress Made in Institutionalizing Management Controls. The MC Program has been in operation within WHS since passage of the FMFIA of 1982. It was formalized with the development and publication of AI 90, subject: "IMC Program." Based on the significant changes to the revised OMB Circular No. A-123 and the implementing DoD Directive and Instruction, we determined that AI 90 was no longer necessary and took the necessary steps to have it rescinded. While it has been rescinded, some WHS managers continue to find utility in some of the "tools" found in the AI.

The OSD MC Program Manager has been assigned responsibility as the WHS MC Officer, and Primary and Alternate MC Officers have been appointed within each WHS Directorate.

All WHS Directors support the MC program and personally sign Statements of Assurance each year. Specific progress in the MC program is identified, by Directorate, in the following sections.

Budget and Finance (B&F)

The Director of Budget and Finance has appointed a Primary MC Officer and an Alternate MC Officer. All managers within the Directorate for Budget and Finance fully support the MC Program. Each manager has specifically-designated MC responsibilities, and their MC performance is evaluated in their annual performance appraisal.

Currently there are eight assessable units within the Directorate for Budget and Finance. Each assessable unit has a current rating of "low risk" for its overall vulnerability. During Fiscal Year 2002, risk assessments were conducted for two assessable units: (1) General Administration and (2) Official Representation Funds. Each resulted in a rating of low risk.

The accounting systems within B&F were evaluated during FY 2002, using Alternative Management Control Reviews. The B&F Directorate tested both of its accounting systems, the WHS Allotment Accounting System (WAAS) and the Trust Funds Accounting System. The results of the tests confirmed that all data and information produced by each system was timely and accurate. In addition, the Directorate determined that both of the accounting systems are in full compliance with GAO accounting principles, standards, and requirements. Several agencies, including AFIS, DISA, DFAS, DODEA, and DSCA have adopted these accounting systems for use in performing their official accounting functions.

During Fiscal Year 2002 the DoD Inspector General performed an audit of the Policies and Procedures for Military Interdepartmental Purchase Requests at Washington Headquarters

Services. This audit revealed one management control weakness, “inadequate management controls to ensure the timeliness of deobligating unliquidated obligations.” A system has been put in place to monitor unliquidated obligations on a monthly basis, and ensure that management action is initiated to request deobligation of unliquidated balances. This weakness will be monitored, and all necessary corrective actions will be put in place in FY 2003.

Communications and Directives (C&D)

The C&D Directorate has a primary and alternate Management Control Officer. All managers in the Directorate who are responsible for elements of assessable units have received training on the MC program, and its objectives and procedures. The performance agreements of these managers contain Management Control standards, and the most recent performance appraisals included above average ratings on accomplishment of the program's objectives.

There are two assessable units within the Directorate of Communications and Directives, mission and administration. Each assessable unit has multiple elements, and was rated for FY 2002, using the SD Form 517, "Vulnerability Assessment." Each Assessable Unit was rated as having low overall vulnerability based on scores that fell in the low weakness range for the three major areas of analysis: general control environment, inherent risk and control safeguards.

During FY 2002, there were seven continuing evaluations that qualify as Alternative Management Control Reviews:

- (1) Management and quality control of a two-million-dollar contract designed to meet the requirements of E.O. 12958, "Classified National Security Information," for declassification review of OSD records
- (2) Development and operation of an automated system for generating a database of information that has been declassified
- (3) Control of Government-wide Commercial Purchase Cards
- (4) Management improvement for the Directives and Records Branch web site
- (5) Compliance with the Presidential memorandum directing that improved language be used in Government documents
- (6) SGML/XML conversion of DoD issuances
- (7) Conversion of DoD issuance historical files to electronic form

There were no significant management control weaknesses noted during these seven reviews.

There have been no audit or other reports of management control weaknesses involving the C&D Directorate. There were no IG/GAO audits or inspection reports involving the C&D Directorate.

Defense Privacy Office (DPO)

The Defense Privacy Office is a small office with low Management Control risk. The Director serves as the Management Control Officer for this three-person organization.

The DPO has two assessable units, administration and implementation. Both units cover all responsibilities necessary to execute the Defense Privacy Program. During this year's review, both units were rated as low risk.

The DPO exercises oversight responsibility for the implementation of the Defense Privacy Program in accordance with DoDD 5400.11, as implemented by DoD 5400.11-R. The DPO also has oversight responsibility for the DoD program involving the obtaining of personal financial information from financial institutions in accordance with DoDD 5400.12. Principal administrative control rests with the Director who is responsible for reviewing and approving all office generated output, but each employee is also cognizant of his or her responsibilities of assuring that all work-product conforms to established standards. Additionally, with regard to selected high visibility, or policy and precedent setting, matters, the DoD Office of General Counsel, as well as senior privacy officials in the OMB, the Department of Justice, and/or other Federal agencies, may be consulted before a final position is adopted and promulgated, thereby providing a quality control measure which enhances the final product.

Statutory required reports are prepared by the Defense Privacy Office based on implementing Federal regulatory requirements. For those reports that are to be forwarded to both Houses of Congress and OMB, they are reviewed, approved, and signed by the Director, Administration and Management. This management control ensures that the mandated report is subjected to outside scrutiny before finalization and dispatch. As necessary, such reports, as well as reports to OMB, also are reviewed by the DoD Office of General Counsel, which verifies that the subject report meets all legal requirements of pertinent statute and regulation.

The DPO conducted an evaluation of internal administrative controls during FY 2002. The internal review concluded that DPO operations were conducted efficiently and effectively, and that organizational, operational, and administrative objectives were accomplished in accordance with law and regulation in an effective manner.

There have been no audit or other reports of management control weaknesses involving the DPO. There were no IG/GAO audits or inspection reports involving the DPO.

Directorate for Freedom of Information and Security Review (DFOISR)

The DFOISR emphasizes the importance of the MCP by providing a positive management environment in support of the MCP program, by establishing written criteria and procedures through the promulgation of standard operating procedures, and by ensuring the evaluation of the system of management controls.

During FY 2002, the DFOISR Alternative Management Control reviews focused on the administration of service contracts, information assurance, and control to prevent the unauthorized use of computer software. No material weaknesses were noted in these or any other DFOISR area in FY 2002.

DFOISR had both internal and external physical security inspections this year. No management control weaknesses were noted during these inspections.

There have been no audit or other reports of management control weaknesses involving the DFOISR. There were no IG/GAO audits or inspection reports involving the DFOISR's management controls.

General Counsel of Washington Headquarters Services (GC-WHS)

The General Counsel is a small office with a designated Management Control Officer. The General Counsel personally oversees all office operations, assigns work to the attorneys, and oversees the expenditure of all funds necessary to support the office. The Deputy General Counsel assists the General Counsel in these tasks.

Assessable units follow the five distinct legal practice areas of Acquisition and Fiscal Law; Criminal Law; General Law; Personnel Law; and Real Property Law, and administration. The management controls in the areas of legal practice focus on responsiveness and legal correctness. The administrative assessable unit focuses on accountability of funds expenditures, property accountability, security, and control of computer software. Each Assessable Unit was rated as having low overall vulnerability.

During FY 2002, there were no GAO reports, IG Investigations, or other assessments that commented on GC-WHS management controls. The GC-WHS internal assessment concluded that client requests were being processed as quickly and thoroughly as possible, and there was no fiscal irregularity.

Directorate for Information Operations and Reports (DIOR)

The DIOR has a primary and alternate Management Control Officer. All managers in the Directorate who are responsible for elements of assessable units have received training on the MC program, and its objectives and procedures.

The DIOR has a well-structured and well-planned MC program that is built around 14 Assessable Units, and a five-year assessment plan. Two new Assessable Units were added this year, to the 12 Assessable Units that were used in last year's evaluation. The Directorate's 14 Assessable Units are evaluated against benchmarks established for each unit, and vulnerability assessments are completed on a five-year schedule.

Four major Alternative Management Control Reviews were completed during FY 2003:

1. Overall Computer Operations. This area is reviewed every year. The assessment includes the Information Assurance Program, Network Security, Network Monitoring, Network account Controls, and the implementation of Public Key Infrastructure (PKI) and Common Access Card (CAC).
2. Contract Oversight/Management. The assessments for FY 2003 focused on ensuring that contractors were complying with all appropriate security requirements, and that management controls were in place to preclude unauthorized commitments in the administration of contracts.
3. Inventory Review. This review focused on the accountability of IT equipment in WHS and the Office of the Secretary of Defense.
4. Credit Card Program. The DIOR has two separate credit card programs, one for the purchase of IT equipment, and one for office supplies. Both programs were reviewed, and were found to be in compliance with all program guidance.

There were no material weaknesses or significant management control issues identified in the internal DIOR reviews.

There were three audits of DIOR operations by the Department of Defense Inspector General. There were no material weaknesses or significant shortcomings noted during these reviews. The audits were:

1. Audit of the Government Information Security Reform (GISR) for FY 2002
2. Audit on Military Interdepartmental Purchase Requests
3. Follow-up on the FY 2001 audit, "Management of Information Technology Equipment."

Federal Voting Assistance Program (FVAP)

The office of the Federal Voting Assistance Program (FVAP) is a small organization with a single-mission focus. They are responsible for ensuring that the DoD carries out the *Uniformed and Overseas Citizens Voting Act of 1986* and the *National Voter Registration Act of 1993*. They have a designated Management Control Officer who assists the Director in management control matters.

The FVAP has two assessable units (1) Administration and (2) Implementation. Both units cover all responsibilities necessary to carry out the Uniformed and Overseas Citizens Absentee Voting Act (UOCAVA) of 1986 and the National Voter Registration Act of 1993. A vulnerability assessment of both of these units rated them as having a low potential for management control weaknesses.

For FY2002, the FVAP conducted a review of property accountability procedures, and a physical inventory of assigned property. There were no significant weaknesses identified during this review. In their Implementation Assessable Unit, the FVAP made process changes to DoD Directive 100.4, the *Federal Voting Assistance Program*, and their Voting Action Plans, based on an FY 2001 DoD IG report on Overseas Ballot Handling.

Personnel and Security Directorate (P&SD)

The Personnel and Security Directorate has appointed an MC officer who assists the Director in the execution of the P&SD MC Program. During FY 2002, substantial efforts were made in institutionalizing management controls and responsibilities. The continuous monitoring of management controls and control exercises have verified the existence of adequate management controls with P&SD.

The P&SD has six organizationally-oriented assessable units. All Assessable Units reviewed and revalidated their MCs during FY 2002. The reviews produced positive results that verified the previous assessments of low vulnerability for P&SD assessable units, with the exception of the one internal weakness noted below. Some of the MC and MC-related actions accomplished during FY 2002 are highlighted in the following paragraphs.

The P&SD Consolidated Adjudication Facility (CAF) implemented an internal Quality Assurance Program of favorably adjudicated cases. All favorably adjudicated cases are being held in storage for 60 days to accommodate random checks by management.

The P&SD Human Resource Development Division (HRD) conducted a Business Process Review of its training request process. The focus of the review was to understand organizational activities and missions, document existing processes and identify improvement opportunities.

The HRD also implemented a new procedure to improve its process of tracking training and travel expenditures of the individual customers within the OSD-WHS 6005 Training Fund account. HRD is also in the process of developing a new database that will assist P&SD to better utilize the information provided on the DD Form 1556 and to assist with credit card reconciliation.

The P&SD Strategic Planning and Business Operations (SPBO) Division, Administrative Services Office conducted a review of management controls for issuance of P&SD metro fare cards. SPBO confirmed that internal controls are in place to ensure prevention of unauthorized acquisition, use or disposition of program assets.

The P&SD Security Division identified emerging issues directly resulting from the terrorist events post-September 2001. The dramatic increase in security clearance requirements, clearance upgrades and special access requests has further strained an already overloaded personnel security system. The P&SD Security Division deployed an enhanced internal management control system (PERSEC) to introduce enhanced

efficiency in the servicing and control of approximately 14,000 active, pending and inactive personnel security files. System development ensured specific built-in management controls with audit functions. The system's metrics functions are becoming key management tools for balancing workload against available resources. A DoD IG Review was conducted during FY 02 in connection with the PERSEC management control system. The focus of the review was special security clearance access information and system user access controls. Both areas were found to possess adequate management controls.

There was one significant management control weakness noted during FY 2002. Processing Personnel Actions. During FY02, the DoD IG reviewed the regionalized personnel services performed by the P&SD Personnel Services Division (PSD). The DoD IG (Report No. D-2002-144) identified a management control weakness in the processing of civilian personnel actions. The DoD IG found that Human Resource Services Center (HRSC) management controls over processing of personnel transactions were not adequate to ensure that the processing of transactions was timely or error free. Initial corrective actions and monitoring procedures have been implemented, and all corrective actions will be completed during FY 2003.

All assessable units within the P&SD continue to be evaluated on an ongoing basis throughout the fiscal year, using Alternative Management Control Reviews. As a result, the Personnel and Security Directorate overall continues to maintain a low vulnerability rating within each of the units.

Real Estate and Facilities (RE&F)

The Real Estate and Facilities Directorate is a large organization with high risk management control processes. In recognition of this, the RE&F established an Internal Review Office and established the position of the Internal Management Control (IMC) Coordinator.

The ten divisions/offices within RE&F that are under the authority, direction and control of the Director, RE&F, have been segmented into 29 separate assessable units (AUs). There were some organizational changes during FY 2002 that impact the RE&F management control structure. During this reporting period, RE&F transferred the Defense Protective Service to the Pentagon Force Protection Agency, and the Boards, Commissions and Task Forces Office was transferred from WHS Budget and Finance Directorate to RE&F.

Information Technology Division (ITD) is responsible for the Directorate's information assurance and software piracy prevention programs. There were no significant management control weaknesses noted in these key areas.

The Management Support Division (MSD) has implemented new management controls to prevent fraud and abuse in the Mass Transit program. Random dual identification

checks are being conducted at fare media disbursements, the new Common Access Card will be required as identification, and administrative actions are being initiated when the program is abused. Enhanced management controls have been established to limit access to the Defense Finance and Accounting Service (DFAS) payroll system. External weaknesses have been identified and work is on going with DFAS to add controls that will limit the potential for fraud and abuse.

Resources Management Office (RMO) issued the RE&F FY 2002 Operating Budget Plans to its divisions. Budget reports are provided to each division monthly and mid-year execution reviews are conducted with each division to ensure compliance with operating budgets. FY 2002 guidance was issued to external customers to be observed in scheduling and accomplishing reimbursable projects during the balance of the fiscal year. Management of the Government Purchase Card Program transferred to the Real Estate and Facilities Contracting Office. RMO continues to give priority to reviewing overdue travel card payments and has virtually eliminated any and all delinquencies in the program.

Real Estate and Facilities Contracting Office (REFCO) has contracting authority limited to that delegated by the Head of the Contracting Activity (HCA) in writing. In addition, proposed contracting actions at specified dollar values must be submitted to the Policy and Contract Review Branch, Contract Review Board for review. In addition, Contracting Officers are required to obtain legal review and advice on any proposed contractual action valued at over \$100,000 and any case where there is any doubt as to legal sufficiency. These controls will further help to alleviate fraud, waste and abuse of the system. An on-going self-inspection program is in place. An inspection of the REFCO simplified acquisition procedures was accomplished in FY 2002. No significant MC weaknesses were identified. Consistent with recommendations by the DoD Charge Card Task Force, best practices are being implemented for the management of the Government Purchase Card Program. The Contract Review Team provides compliance oversight as well as pricing support. REFCO has an on going training program in place. All contracting personnel must attend Defense Acquisition University's (DAU) formal training classes to obtain certification levels I, II and III as required by the Defense Acquisition Workforce Improvement Act (DAWIA).

The Federal Facilities Division (FFD) continues to be the principle proponent and enforcement arm for the commissioning process in the Pentagon's Renovation. This systematic process helps to ensure the proper design, testing and turnover of building systems, and has eliminated numerous problems. Qualified government personnel review all contracts. There was one significant management control weakness noted in this Division in FY 2002. The DoD IG identified a MC weakness in the Audit Report "Measurement of Water usage by Department of Defense Components Serviced by the District of Columbia Water and Sewer Authority" (Project No. D2001Fa-0154.001). Corrective action for this weakness will be complete in FY 2003.

The Graphics and Presentations Division (G&PD) failed to implement proper management controls to avoid misuse and fraudulent activities on the Government purchase cards. Appropriate procedural, disciplinary, and criminal action has been taken. In an effort to enhance the management and oversight of the Purchase Card Program, the function has been transferred to the Real Estate and Facilities Contracting Office, with oversight by a DAWIA Level III certified acquisition professional. The Agency Program Coordinator will become DAWIA Level II certified. Further, best practices that were identified by the DoD Charge Card Task Force are being implemented. This transfer also insures external oversight by the Procurement Management Review Team every three years. Corrective action for this MC weakness will be complete in FY 2003.

The Leased Facilities Division (LFD) internal controls are periodically reviewed and updated as required. Current inventories for all accountable and durable properties are identified. Efforts continue to be made for an effective Energy Program to meet the reduction in energy consumption as outlined in the Energy Policy Act and the Executive Order. All functions associated with the budget are closely monitored and implemented in accordance with Directorate guidelines. Since last reporting period, twenty Standard Operating Procedures (SOP) have been updated. LFD continues to monitor purchase card utilization and implemented procedures requiring documented pre-approval of all purchases by the billing official.

The Space Policy & Acquisition Division (SPAD) has established databases to improve the management and tracking of data and to improve internal control within the Division and RE&F. Specifically, SPAD has established new and/or improved databases for management and tracking of official government parking spaces, short-term conference space, vacant space, and lease contracts. These improvements ensure sound and prudent management, increases timeliness in service delivery, and helps control costs to customers.

The Support Service Division (SSD) continued to utilize and monitor the Government Purchase Card. Purchases are approved by the Chief of Procurement Branch (REFCO) and, Chief of the Supply Branch (SSD); and reports are provided by both branches to REFCO and RMO for additional oversight in order to deter and detect fraud, waste and abuse. Employees occupying positions in which the nature of their duties may involve a potential conflict of interest completed financial Disclosure Report OGE form 450. Additional procedural checks and balances have been added to the SSD purchasing process.

As stated before, the RE&F is a large Directorate with some high risk MC processes. The establishment of the Internal Review office and increased emphasis on management controls throughout the Directorate will ensure prompt resolution of existing issues and proactive controls to minimize future MC weaknesses.

2. Any Improvements to Program Coverage: There is complete coverage of all programs, functions, and activities within WHS. Significant qualitative increases in

program coverage have been achieved through the establishment of the Internal Review Office in RE&F and in the addition of the additional assessable units in DIOR.

3. Descriptions of the Problems Encountered in Implementing the Program: The changes to organizations, and the greatly increased workload associated with the recovery and reconstruction of the Pentagon after 9/11 placed increased pressure on management control processes. The necessary adjustments have been made, additional management controls have been put in place, and the WHS will continue to show its traditional leadership in the Management Control Program.

4. Other Program Considerations: See the Directorate narratives in section 1.

5. Deviations from the process as outlined in the OMB guidelines: None

6. Any Special Concerns Addressed in Reports of Audits, Inspections, or Investigations: The RE&F Directorate discovered numerous instances of unauthorized purchase card transactions and reported these findings to the Defense Criminal Investigative Service (DCIS). The DCIS investigation is complete and the former Director, Graphics and Presentations Division, was removed from federal service on September 25, 2002, for falsification of records and misuse of the government purchase card. On November 6, 2002, the former director pled guilty to one count of theft of government property stemming from her use of a DoD purchase card to make over \$1,711,000 of fictitious purchases. As a result of this discovery, management control improvements have been made to the RE&F credit card program. Additional information on DoD IG audits is provided in paragraph 7c below.

7. Methods, Mechanisms, or Techniques Employed in the Discovery or Execution Phases of the MC Program:

a. Risk Assessments, MC Evaluations (Reviews): The WHS uses Alternative Management Control Reviews, in accordance with DODI 5010.40, as its primary means of evaluating control techniques. This is consistent with OMB and USD(C) emphasis upon eliminating non-value-added procedures and discouraging the conduct of management control reviews and other MC Program-specific evaluations (unless alternative sources of information are not available). All organizations performed risk assessments of critical areas, and used feedback from other reviews and evaluations.

b. MC Weakness Tracking System: In the past, there have been no weaknesses to track; thus, there has been no tracking system in operation. The four significant MC weaknesses noted in the above narrative are considered “internal material weaknesses” within the reporting organizations. Although they do not rise to the level of a WHS Material Weakness, these significant weaknesses will be tracked like a material weakness within the organizations. A MC Weakness Tracking System will be created in RE&F B&F, and P&SD during FY 2003 to track the significant MC weaknesses noted in paragraph 1.

c. Component IG Audit Findings, Component Inspections, and DoD IG Reports and Reviews:

- (1) The DoD IG identified a MC weakness in the Audit Report “Measurement of Water usage by Department of Defense Components Serviced by the District of Columbia Water and Sewer Authority”. (Project No. D2001Fa-0154.001) (RE&F)
- (2) The DoD IG identified a management control weakness in the processing of civilian personnel actions. The DoD IG found that Human Resource Services Center (HRSC) management controls over processing of personnel transactions were not adequate to ensure that the processing of transactions was timely or error free. (Report No. D-2002-144) (P&SD).
- (3) The DoD IG performed an audit of the “Policies and Procedures for Military Interdepartmental Purchase Requests at Washington Headquarters Services”. This audit revealed one management control weakness, “inadequate management controls to ensure the timeliness of deobligating unliquidated obligations.” (B&F)
- (4) Computer virus protection efforts detected viruses on the computer of a RE&F employee. Further investigation by Information Technology Division staff revealed sexually explicit images had been accessed and stored on the employee’s computer. These findings were reported to the Defense Criminal Investigative Service and subsequently to the Federal Bureau of Investigations (FBI). The FBI investigation is ongoing. The employee has been removed from federal service. (RE&F)

The following DoD IG audits were conducted during FY 2002, and concluded that appropriate management controls were in place in each area.

- (1) Audit of the Government Information Security Reform (GISR) for FY 2002 (DIOR)
- (2) Audit on Military Interdepartmental Purchase Requests (DIOR)
- (3) Follow-up on the FY 2001 audit, “Management of Information Technology Equipment.” (DIOR)
- (4) DoD IG review of the Personnel Security Management Control System (P&SD)

d. Reports of internal reviews and inspections: A number of internal reviews and inspections were conducted in WHS during FY 2002. The following is a summary of the major reviews and inspections. Internal reviews will increase in RE&F during FY 2003, as the newly created Internal Review staff begins operations.

- (1) Test of the WHS Allotment accounting System (B&F)
- (2) Test of the Trust Funds Accounting System (B&F)
- (3) Information Assurance and other computer operations issues (DIOR)
- (4) Contract oversight/management (DIOR)
- (5) Accountability of IT equipment (DIOR)
- (6) Credit Card Program (DIOR, C&D, P&SD, RE&F)
- (7) Management quality assurance review of adjudicated security clearance cases (P&SD)
- (8) Management controls of metro fare cards (P&SD)
- (9) Internal review of REFCO simplified acquisition procedures (RE&F)

e. MC Training: All MC officers have received MC training. The WHS MC Officer, who also serves as the OSD MC Officer, provided one-on-one training/assistance as the need arose and remains available to do so in the future. Additional information was provided by the WHS MC officer, to assist organizations in this year's MC Program report preparation efforts.

f. MC Performance Standards: Managers with significant MC responsibilities have performance standards in their performance agreements. Their FY02 evaluations reflected their success in implementing and maintaining adequate management controls.

g. GAO Reports and Reviews: None.

h. Review of OSD Functional Proponent (systemic weaknesses, etc.)
Proposals Submitted Through the DoD MC Program: The DoD systemic weaknesses were reviewed. No systemic weakness proposals were submitted from WHS.

i. MC References in Directives, Regulations, and Other Guidance:
Management controls are specified in all the directives, regulations, and guidance that WHS is responsible for preparing or overseeing. However, the determination to include specific references to the "MC Program" in directives, regulations, and other guidance is made on an individual basis. Thus, most of these documents do not include a specific reference to the MC Program.

j. Quality Assurance Reviews: See above narratives. Multiple WHS organizations use quality assurance reviews as a part of their MC processes.

k. Command or Other Subordinate "Letters of Assurance": The Directors of all WHS Directorates have reviewed their MC programs, and have executed individual Statements of Assurance.

l. Productivity Statistics: Productivity statistics are not practical and meaningful in the majority of WHS, due to the type of work being performed.

m. Congressional Reviews and Hearings: None.

n. Defense Regional Interservice Support Studies, “Hot Line” Reports, and Functional Management Reviews: All “Hot Line” reports received are promptly investigated, and action taken, where necessary.

SYSTEMIC WEAKNESSES

Office of the Secretary of Defense Systemic Weakness Disclosure: No WHS-level material weaknesses were identified.